

NATIONAL ROAD SERVICES IMPROVEMENT PROGRAM

(JA-OO43)

EXECUTIVE SUMMARY

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|--|---|---------------------------------|--------------|
| Borrower: | The Government of Jamaica | | |
| Guarantor: | The Government of Jamaica | | |
| Executing agency: | National Works Agency of the Ministry of Transport and Works (NWA) | | |
| Amount and Source: | IDB: (OC) | US\$ | 24.5 million |
| | Local: | US\$ | 10.5 million |
| | Total: | US\$ | 35.0 million |
| Financial terms and conditions: | Amortization Period: | 20 | Years |
| | Grace Period: | 4 | Years |
| | Disbursement Period: | 4 | Years |
| | Interest Rate: | variable | |
| | Supervision and Inspection: | 1.00 | % |
| | Credit Fee: | 0.75 | % |
| | Currency: | Single Currency Facility (US\$) | |
| Objectives: | The main objective of the National Road Services Improvement Program (NRSIP) is to promote the creation of a self-sustainable system for the provision of a safe and reliable national road network. This objective will be met by giving institutional support to the recently created NWA for carrying out the planning, programming, executing and supervising of road maintenance activities, implementing the financial mechanisms and incentives to provide adequate and timely resources for road maintenance and supporting the on-going routine road maintenance program, including efforts to develop new road administration models based on contracting out maintenance activities to the private sector. | | |
| Description: | The Program will consist of three components: <i>a) Institutional Strengthening (US\$2.9 million)</i> This component will provide institutional assistance to the NWA | | |

to develop its capacity to carry out routine road maintenance activities by direct contracting to the private sector in a cost-efficient and technical manner. The component will also prepare the institution to carry out road rehabilitation and reconstruction activities in the medium term. To achieve these objectives, support will be provided to strengthen the planning, programming, execution and supervision functions of the newly created NWA.

The Program will also address the incorporation of social and environmental criteria in roadwork definition and prioritization through the development of environmental policies and procedures and in the supervision of their implementation.

One of the main problems the Government of Jamaica (GoJ) faces in executing road maintenance is caused by macro-economic constraints that result in a budgetary process which limits the availability of resources in a timely manner; this results in higher costs and restrictions in the amount of road maintenance that can be carried out during the fiscal year. To mitigate this problem the Program will provide incentives and establish mechanisms that provide a stable and reliable source of funding for routine maintenance.

b) Road Maintenance (US\$25.0 million)

The NWA has recently developed a new approach to road maintenance, executing works by contracting out to the private sector instead of doing works in-house by force account. The Program will further promote the development of an improved road maintenance system by funding the next phase of routine maintenance works.

This next phase of routine road maintenance contracting will consist of lump sum performance based contracts and will include important improvements to previous phases. The activities to be carried out will be determined using a modern planning tool, the Routine Maintenance Management System (RMMS), that will also permit the evaluation, reporting and monitoring of the quality of routine maintenance works. The contracts will be carried out under lump-sum payment procedures, providing a better transference of risks between the NWA and contractors and promoting more cost-efficient procedures. The duration of the contracts will be extended to three years, providing sustainability to maintenance activities and environmental and safety aspects will be included in contract specifications.

c) Designs for Road Rehabilitation (US\$3.0 million)

The Program will fund feasibility, environmental and final design studies for future road rehabilitation and improvement for priority

segments of the national road network. Segments to be studied will be based on a five-year periodic maintenance/rehabilitation program determined with the Highway Design and Management (HDM) program. These designs will include environmental and social assessments and health, safety and environmental provisions for contractors and supervisors to be applied to all road improvement, rehabilitation and maintenance works. Special emphasis will be placed on ensuring that the rehabilitation designs will minimize land acquisition and address resettlement issues.

The NWA will base their prioritization on a nation-wide survey of the national road system that will include a survey of environmental liabilities. The most critical interurban roads in need for rehabilitation will be selected to maximize economic benefits and minimize safety and environmental problems.

d) Indirect Costs (US\$4.1million)

The Program will include a US\$4.1 million component for indirect costs that includes US\$0.3 million for commitment fees, US\$2.2 million for interest expenses, US\$0.2 million for IDB inspection and supervision, US\$0.4 million for administration and auditing and US\$1million for contingencies.

**Bank's country
and sector
strategy:**

An important goal of the Bank's current lending strategy is to support the government in promoting an improved environment for long-term private sector-led growth and development. In Jamaica, the lack of a properly maintained road network is a major obstacle for development. Bank strategy in transport aims at solving the issues of (i) sustainable maintenance and upgrading of infrastructure, (ii) the establishment of an efficient system for public transport; and (iii) the strengthening of the institutional capacity in the sector, specially in the planning and project managing activities. Consistent with this strategy, the proposed Program will target the maintenance and institutional capacity issues.

**Environmental/
Social review:**

From the environmental and social standpoint, no major impacts are expected since the Program will include mainly institutional strengthening and maintenance works consisting largely of patching, crack sealing and resealing of road surfaces with no earthworks and no resettlement issues. The institutional strengthening component of the Program will place special emphasis on the establishment of an environmental and social management system, including guidelines, procedures and specifications to be incorporated into the planning, selection, design, execution and monitoring of road maintenance and rehabilitation works.

The maintenance program that the NWA will undergo with the

Program's support will have positive environmental and social impacts because of its focus on regular drain and culverts clearing, removal of waste materials and, repair of landslides and erosion defects and repair of highway safety elements.

The designs for road rehabilitation and improvement will include environmental and social assessment management plans. The NWA and the National Environmental and Planning Agency (NEPA) will closely supervise the environmental and social mitigation measures introduced in project implementation.

The Committee on Environmental and Social Impacts (CESI) reviewed this operation on March 2nd, 2001. The committee's comments and suggestions have been included in the document.

Benefits:

The Program will benefit the community as a whole. Road users will experience reduced vehicle-operating costs and reduction in travel time and accidents. This should result in greater competition among transport firms, lower prices, increase the capacity of local contractors and ultimately encourage new investment in such areas as tourism and export agriculture. Economic expansion and diversification would provide sources of employment and increase revenues.

Risks:

Sustainability of Road Maintenance Financing The timely availability of resources for maintenance has been a recurrent problem in Jamaica. The flow of funds does not coincide with the seasonal demand for road works; this creates a cyclical cash flow problem that does not permit the budgeted resources for maintenance to be used efficiently. This cash flow uncertainty also affects private sector participation and creates extra cost. The Program will seek to establish mechanisms and incentives that assure that sufficient funds are dedicated in a timely manner to road maintenance.

Institutional Capability. The NWA is a recently created agency, with the mission of administering the national road network under a commercial approach. To ensure that the NWA is capable of carrying out road works by contracting with private agents, in a more efficient and effective manner, the Program will support the planning, programming, reporting and monitoring of the investment and maintenance works administered by the NWA. It will also support the development and implementation of affordable and competitive routine maintenance tender documents that improve work quality and environmental and safety standards.

Long Term Finance for the Transportation Sector. The GoJ has recently carried out road rehabilitation and reconstruction works through a deferred financing program in which private contractors obtain financing for the works from local Banks with

guarantees from the Ministry of Finance and Planning (MoFP). These programs create financial contingent liabilities for the GoJ for the next few years potentially increasing the future level of internal debt. In addition, the first phase of Highway 2000 project is projected to include a tax-free government guaranteed bond of US\$ 140 million. Since the final nature of government guarantees and risk distribution measures for this project are still under discussion, the effect that Highway 2000 may have on the resources available for the transport sector in the medium term are not yet determined. The NRSIP will guarantee that the funds required for routine road maintenance are allocated during Program execution and will implement the mechanisms and incentives to provide a stable and reliable source of financing for routine road maintenance in the long run.

**Special
contractual
clauses:**

Prior to First Disbursement: The Executing Agency will: a) open separate accounts in a commercial bank to deposit the proceeds from the Bank's financing and from local counterpart (**¶Error! Reference source not found.**); and b) submit for Bank's approval, the corresponding model maintenance contracts including technical and environmental specifications for maintenance activities and environmental clauses (**¶Error! Reference source not found.**).

Prior to Approval by the Bank of Bidding Documents for the first stage of routine maintenance contracts: The Executing Agency will: a) provide evidence of the hiring of: (i) Phase 1 of the institutional consultancy, which will provide Program execution support for the NWA (**¶Error! Reference source not found.**), (ii) the environmental consultancy, (**¶Error! Reference source not found.**) (iii) transportation planning consultancy (**¶Error! Reference source not found.**) and (iv) the road safety consultancy (**¶Error! Reference source not found.**) b) evidence of the installation of the weight units (**¶Error! Reference source not found.**).

Prior to award of contracts for the first stage of routine maintenance. The Executing Agency will provide evidence that the required legislation for the creation of the Road Fund for routine road maintenance shall be in force (**¶Error! Reference source not found.**).

Prior to Approval of Bidding Documents for the second stage of contracts: The Executing Agency will provide evidence of the hiring of: (i) Phase 2 of the institutional consultants (**¶Error! Reference source not found.**) and (ii) satisfactory completion of the midterm review (**¶Error! Reference source not found.**).

During Project Execution: The Executing Agency will develop and implement the RMMS program for routine maintenance works, within 6 months from Loan contract signature; all maintenance works to be financed through the Program will be prioritized through the RMMS (**¶Error! Reference source not found.**).

Poverty-targeting and social equity classification:

This operation does not qualify as a social equity enhancing project, as described in the indicative targets mandated by the Bank's Eighth Replenishment (document AB-1704). Furthermore, this operation does not qualify as a poverty targeted investment (PTI).

Exceptions to Bank policy:

Since an important component of the Program pertains to the funding of routine maintenance, an exception of the OP-707 MAINTENANCE AND CONSERVATION OF EQUIPMENT rule is requested. This exception is justified on the basis that the Program is supporting an innovative approach for undergoing routine road maintenance, promoting the use of long-term performance based maintenance contracts with the private sector. In addition, under the new institutional framework of the transport sector in Jamaica, the Program will provide institutional support for a new agency, the NWA, that is to perform the management and administration of road infrastructure in a more efficient and effective manner. Finally, the Program will provide the incentives and the mechanisms to promote a reliable and stable source of financing for routine road maintenance under an environment of fiscal constraints thus avoiding the deterioration of important investments in road infrastructure.

Procurement:

In procuring goods and services financed by the Bank, the Executing Agency will follow the basic Bank procurement policies and procedures. The NWA will use international competitive bidding for all goods and services valued at more than US \$250,000, for civil works valued at more than US \$1.5 million, and for consulting services in excess of US \$200,000.